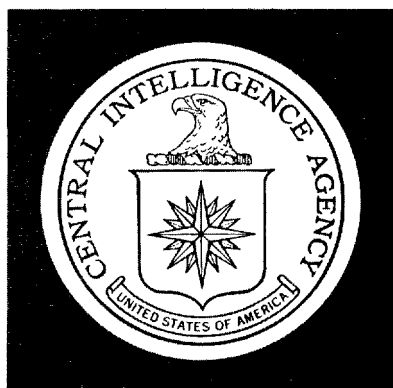


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Reconstruction Activities in North Vietnam

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January 1969

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
January 1969

INTELLIGENCE MEMORANDUM

Reconstruction Activities in North VietnamSummary

Although industrial reconstruction in North Vietnam is being stepped up, Hanoi has provided few details on its plans for postwar reconstruction. Both the permanent reconstruction of its war-damaged economy and any additional development programs will be highly dependent on foreign assistance. As usual the Communist countries will be expected to provide most of the assistance, though there are indications that Hanoi may also be willing to accept aid from Free World sources.

The US bombing of North Vietnam negated much of that country's economic growth since 1954 and forced the regime to defer plans for large-scale development projects. Hanoi's overriding concern has been with the maintenance and improvement of its war-supporting capabilities. The first priority in reconstruction has been given to lines of communication, logistics facilities, and air defense facilities. The pace of economic and industrial restoration has been restrained, conditioned perhaps by uncertainties about a resumption of the bombings and the status of the peace negotiations. For the most part, reconstruction of industry has been confined to those facilities that could be repaired without extensive construction or replacement of equipment. Little has been done to improve living conditions. Food continues in short supply, housing remains inadequate, and restrictions on personal movement are still in effect, although enforced less rigorously.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research and was coordinated with the Office of Current Intelligence and the Director's Special Assistant for Vietnamese Affairs.

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The regime has been relatively close-lipped about its plans for postwar reconstruction and development. A committee reportedly was established under Premier Pham Van Dong to draw up a comprehensive plan for postwar reconstruction and development, but details of the committee's work are lacking. Since November the regime has been concerned with countering a relaxation of productive effort after the bombing halt, and has played down discussions of postwar developments.

Much of the material and technical resources for reconstruction in North Vietnam must come, as in the past, from Communist countries. Trade and aid agreements were negotiated with most Communist countries in the spring of 1968, and additional assistance from the USSR was assured by an agreement negotiated in November 1968. Although details are lacking, the 1968 aid agreements appear to have included the provision of equipment for reconstruction and probably for future economic development.

The North Vietnamese probably hope to limit dependence on their Communist allies for foreign aid. Contacts with Free World countries have been increased for future trade and possible assistance in reconstruction. Hanoi officials have expressed some willingness to accept aid from Free World sources provided there are no strings attached. At least two Free World assistance programs have been proposed -- the so-called "Miki" Plan by Japan and the "Nordic" Plan by Sweden.

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Introduction

1. The US air war disrupted North Vietnam's plans for major economic development and cost it in large measure the fruits of almost ten years of economic growth. Throughout the entire bombing period, however, extensive repair work was accomplished to counter bomb damage and new construction was carried out to expand the transport and air defense systems and to disperse industry and supply areas. With material assistance from its Communist allies, North Vietnam was able to build small dispersed plants to manufacture spare parts, light machinery, and some consumer goods, and to process food. Although North Vietnam periodically discussed with other Communist countries development projects in agriculture, mining, and industry, deliveries of equipment to implement these projects generally were postponed because of the threat of bombing and the priority afforded to imports of military and war related goods. In late 1967, a delegation of North Vietnamese officials visited France to explore possibilities for postwar economic and technical development. Shortly after the US bombing restrictions announced on 31 March 1968, the Hanoi regime began a stepped-up program of permanent repair of bomb damage and became more concerned with planning for postwar economic development.

Reconstruction Through 1968

Lines of Communication

2. Throughout the bombing program, temporary repairs were made to damaged lines of communication and the transport network was expanded. Not until after the 31 March bombing restrictions, however, were permanent repairs started on a number of the more important transport facilities that had been damaged by bombing. Since the 1 November bombing halt, much of the repair effort has been concentrated in the Panhandle of North Vietnam where improvements have been made to transport lines and storage facilities that serve the DMZ area and supply routes into Laos.

3. In the northern part of the country restoration of through rail service into both Hanoi and Haiphong received a high priority after March 1968

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(Figure 1 shows lines of communication). Reconstruction of the Haiphong railroad/highway bridge, interdicted since September 1967, was completed by April 1968, and through rail service on the Haiphong line was restored at least by June with the repair of the railroad bridge at Hai Duong. The Hanoi railroad/highway (Doumer) bridge over the Red River, extensively damaged in December 1967, was restored for rail traffic by 18 June. The reconstruction of this key rail and highway crossing restored through rail traffic to Hanoi and eliminated the use of less efficient rail and highway bypass facilities. Before November, several new bypasses were completed along the Hanoi-Dong Dang rail line, North Vietnam's main overland rail route for imports and exports. Considerable improvements were made in road connections with Communist China and the extensive storage areas along the border. Work to restore the Viet Tri bridge, destroyed in the summer of 1966, was started in September 1968 and was completed by the end of the year. Its rebuilding removes the last significant obstacle to rail traffic on the Kunming-Lao Cai-Hanoi rail line, the major transportation artery into northwest North Vietnam.

4. Rail construction on the new Kep-Hon Gai rail line was resumed in October after a three-month lull due primarily to flooding. By mid-December, only a five-mile gap and one multispan bridge remained to be finished to open the eastern half of the 66-mile long line.

5. Construction of the wharf extension of the main docking area at the port of Haiphong progressed steadily after the 31 March bombing restrictions. The heavy rains of August and September, however, impeded construction and the earth fill that had required six to eight weeks to accumulate was washed away. Three new rail spurs were built into open storage areas near the wharf, facilitating the movement of goods out of the port. Dredging of channels into the port of Haiphong was resumed in April, with the return from China of the large Soviet suction dredge, Zemleses No. 8.

6. The main lines of communication in the southern Panhandle have been restored since the 1 November bombing halt, and supply bases are being extended further south, facilitating the greatly increased logistical movements into the southern Panhandle.

Through rail service to Vinh using small tram cars was restored within four days of the bombing halt, and through service using regular meter-gauge rail cars was possible by early December. The tramway south of Vinh also came into greater use soon after the bombing halt, and tramway trains have been observed around Bai Duc Thom, a key supply area about 25 miles north of Mu Gia Pass.

7. Considerable road and bridge repair activity was noted in the southern Panhandle early in November. Bulldozers, dump trucks, and large work crews were repairing previously destroyed bridges, constructing new alternate pontoon bridge crossings, and repairing sections of the roadway. Most of the observed reconstruction was concentrated on heavily bombed coastal Route 1A and its inland alternate, Route 82, south of Vinh.

8. The beginnings of a petroleum pipeline system also were first observed in July 1968 in the vicinity of Vinh (see Figure 1). A 40-mile section is located 15 miles west of Vinh on a north-south axis between Trinh Son and Huong Thu. A five-mile section is located near the coast at Vinh on an east-west axis and terminates at the Vinh petroleum storage area. Other segments not yet detected in photography may have been completed, but it is unlikely that the pipeline is yet operational. When it is operational, the pipeline will release a number of vehicles for other transport use and will be less vulnerable to air attack or to adverse weather.

Industry

9. North Vietnam's bomb-damaged industries were being repaired in early 1968, even before the partial bombing halt of 31 March had freed most of industry from airstrikes (see Figure 2). The rate of repair work appeared to increase during April through August, but since September repairs have been at a slower pace. At the end of 1968, North Vietnamese industry was operating at an estimated three-fourths of its pre-bombing capacity. Several of the most important branches of industry, however, are still operating at only a fraction of their pre-bombing capacity, as shown in the following tabulation:

| <u>Industry</u> | <u>Percent of Former Capacity</u> |
|-------------------|---------------------------------------|
| Electric power | 55 |
| Cement production | 33 |
| Coal production | 65 |
| Textiles | 75 |
| Apatite mining | 25 |
| Pig iron | 0 |

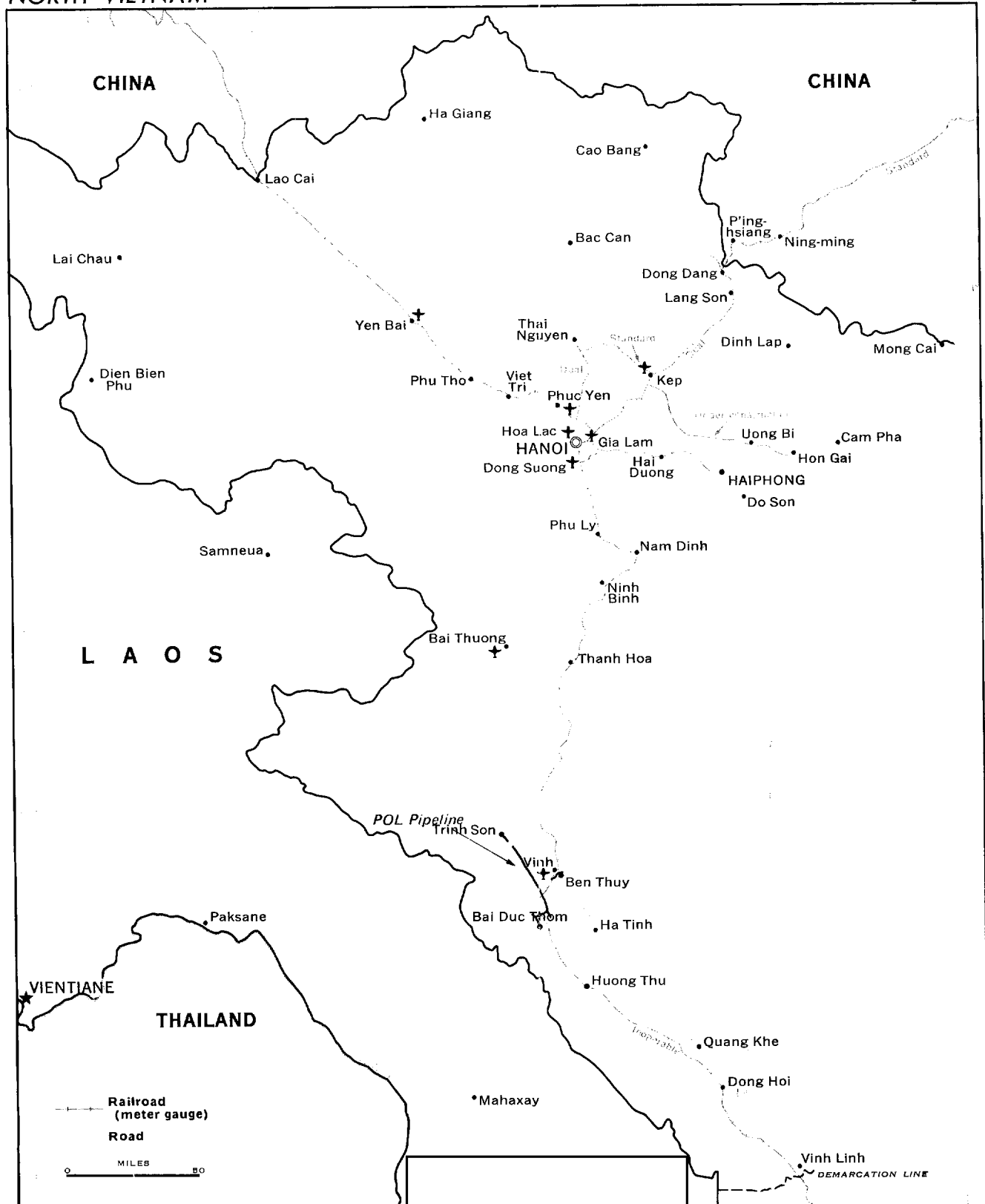
10. Most of the decline in industrial output since 1965 stems from bomb damage to the country's few modern industrial plants that formerly accounted for about half of the total value of industrial output. Local factories and handicraft shops, which contribute the other half of industrial output, generally escaped direct physical damage and probably have lost little productive potential. The relatively undamaged machine building sector, on which development of agriculture and transportation depends, appears even to have been expanded through substantial imports of machinery and equipment over the past three years.

11. Repairs to electric powerplants have been confined largely to those portions of plants that were lightly or moderately damaged. Seven of the nine electric powerplants in the Hanoi-Haiphong electric power grid are now in partial operation. The Nam Dinh powerplant has been shut down intermittently since September, probably because of a general repair program at that facility. There has been no attempt to repair the Haiphong East powerplant.

12. Restoration of power facilities is also underway in areas not covered by the main network. The powerplant at Thanh Hoa is being reconstructed. Earth scarring near the uncompleted Thac Ba hydroelectric project may indicate resumption of construction, although there are no signs of work on the main dam and power house. Construction of blast walls around the principal powerplants was initiated during the first quarter of 1968 and continued at a rapid tempo until about mid-year. The rate of construction of these blast walls has slowed significantly since then, possibly indicating some uncertainty about whether or not US bombing will be resumed.

NORTH VIETNAM

Figure 1

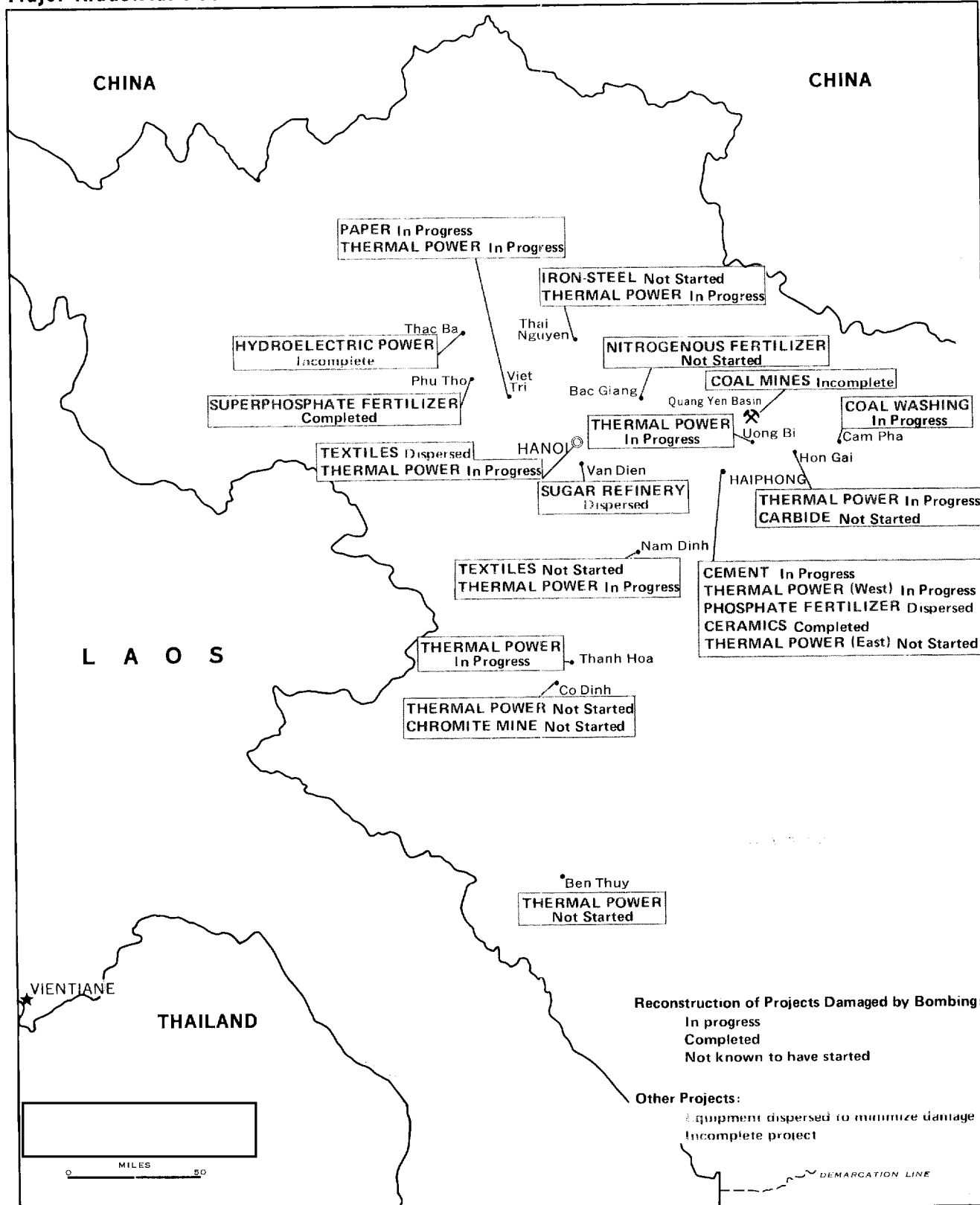


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Major Industrial Reconstruction In North Vietnam

Figure 2



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13. Only moderate progress has been made in the repair of other industries. Repair activity at the Haiphong cement plant, for example, has not progressed since the summer of 1968, when only two of the plant's seven kilns had been repaired. Some recovery was made in the coal processing and coal loading facilities at the ports of Hon Gai and Cam Pha but two of the four loading cranes are still out of operation at Cam Pha and coal exports are still at a low level compared with 1966. Little repair work and no resumption of output has been observed at the unfinished Thai Nguyen iron and steel complex since the plant was put out of operation in mid-1967.

14. Elsewhere in the manufacturing sector, minor damage to chemical plants at Phu Tho and Viet Tri apparently has been repaired and both installations are currently in operation. There has been no effort to repair the extensive destruction at the Nam Dinh textile plant, the country's largest single producer of textiles. The country's largest chemical fertilizer plant at Bac Giang, which was under construction with Chinese aid when it sustained moderate damage from bombing, has not been repaired nor has construction been resumed.

Airfields

15. Since March 1968, major repairs have been completed on most jet airfields north of the 19th Parallel, and major expansion activity has been undertaken at Kep, Hoa Lac, and Hanoi/Gia Lam airfields. Since November, there have been indications of a major repair effort underway to reconstruct the Vinh airfield.

16. In addition to the extensive airfield reconstruction program, the North Vietnamese since March have completed two new jet airfields -- at Yen Bai and Bai Thuong -- that were under construction for several years. The Yen Bai airfield extends North Vietnam's fighter coverage further into the northwestern part of the country, while Bai Thuong provides a greater potential for staging and recovering fighter aircraft in the Panhandle of North Vietnam as well as in southern Laos. Work was observed in October on a new jet airfield at Dong Suong, southwest of Hanoi, which when completed will be able to accommodate both jet fighters and bombers.

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Living Conditions

17. Living conditions moved toward normal after the March bombing restrictions, but the population has not been allowed to forget that a war is still being waged in South Vietnam. As early as mid-1968, the Hanoi regime apparently permitted some relaxation of wartime controls on the urban population. A growing number of evacuated people, then as today, are reported to be returning to Hanoi, and increased market activity has been noted in urban areas. Hanoi residents have been allowed to bring their families back to the city, but the regime has warned the people that conditions are still not safe. Although primary and secondary schools and universities have not been officially relocated to urban areas, some outdoor classes were observed in Hanoi, and a recent report indicated the kindergarten and nursery schools may soon be reopened. Hospitals and most government agencies also remain evacuated.

18. There has been little improvement in living conditions in urban areas since the bombing halt except for the relief from the threat of bombing. Food is still rationed, and problems in the distribution of large amounts of imported foods have resulted in some inequities and isolated instances of food shortages. About 60 percent of the rice ration for some consumers is now made up of wheat flour or other rice substitutes. Most consumer goods continue to be in short supply and a black market operates selling foodstuffs, clothing, bicycles, and other consumer necessities. There is no reported reconstruction of urban housing, and the return of urban populations may have placed an additional burden on already inadequate housing.

19. The labor supply is seasonally tight with the current heavy requirements for planting rice and other food crops utilizing much of the normally underemployed labor force. The continuing shortage of technically trained workers and of administrative cadres gives rise to frequent reports of a manpower shortage. However, the bombing halt has relieved most of the part-time laborers from bomb-repair tasks, from extra transport work, and from duties connected with air defense. An estimated 300,000 to 400,000 part-time workers were involved in these tasks during the intensive bombing campaign. The estimated 200,000 full-time workers that were diverted to reconstruction and transportation during the bombing are believed to be still committed to this work, since the demand for construction and for transport continues heavy.

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Planning for Postwar Reconstruction

20. Contingency planning for reconstruction and postwar development apparently went on throughout the period of the US bombing, but not until after March 1968 did measures to implement plans for postwar development become apparent. A committee under Premier Pham Van Dong was formed after March to draw up a comprehensive plan for postwar reconstruction. The committee included government officials, civilian experts, production workers, and representatives of science and technology. The inclusion of representatives of the National Liberation Front implies a possible consideration of postwar economic cooperation with South Vietnam.

21. Plans for postwar development must remain in an embryonic stage, however, because of the current indefinite state of the peace negotiations.

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[REDACTED] A lack of official pronouncements on postwar planning is probably due to the regime's greater preoccupation with support of the continuing war in South Vietnam. There are already some indications of a relaxation of productive effort by the North Vietnamese people now that pressures of the bombing have been lifted. Since November, the regime has criticized many branches of the economy for poor management and lagging productivity. Truong Chinh, a leading party theoretician, in a position paper published in early October 1968, warned of an excess of emphasis by cadres on long-range postwar economic problems, but admitted that some preparations should be made for postwar reconstruction.

22. Although there are few details available on North Vietnamese plans for postwar reconstruction and development it is highly likely that the dispersed industries and new small-scale factories built outside of former industrial centers will provide the nucleus of regional industrial development. It is apparent also that centralized heavy industry will be a major aspect of postwar industrial development and that some dispersed industries will have to be centralized again to improve lagging productivity. For example, output of the textiles industry declined sharply after being dispersed, and machinery and equipment has been poorly maintained.

It also is apparent that resources for development must come largely from foreign countries and that considerable reconstruction remains to be done before development can be resumed.

Future Reconstruction

23. A great deal of work is needed to improve the existing transport network and to expand its capabilities. Complete and permanent restoration of important railroad/highway bridges, particularly in the northern Panhandle, is necessary to permit efficient movement of goods into the Vinh area. The Doumer Bridge in Hanoi has shown signs of weakening since its reconstruction in June 1968, and permanent repairs are necessary. The completion of the Kep-Hon Gai railroad line, under construction since October 1967, is important for coal distribution and to the development of Hon Gai as a second major northern port.

24. At the end of 1968 only about 145 of the 430 damaged and destroyed bridges in North Vietnam had been made serviceable. About half of the damaged rail bridges and less than a third of the highway bridges have been repaired. Most of the repairs have been of a temporary nature although there are scattered permanent repairs being made. The greater expense, shortages of building materials, and manpower requirements at least partly explain the slow progress in permanent repair work. It would cost an estimated \$25 million to repair all damaged bridges to their original condition and would require an estimated 660,000 man-days of work and large quantities of structural steel and concrete. At present, there is continued heavy reliance on bypasses to get around damaged bridges.

25. The three southern river ports at Ben Thuy, Quang Khe, and Dong Hoi all require repair and reconstruction since most of the storage facilities, piers, and other facilities were damaged or destroyed by bombing. The berthing area at Ben Thuy near Vinh, the largest southern port, is blocked by sunken vessels and the channel may be heavily silted. Since 1 November, coastal vessels have been moving large quantities of materials from Haiphong to the vicinity of the three river ports. Repairs would eliminate the need for lightering the goods to the port.

26. Additional dredging of the main approach channel to Haiphong is needed and there are indications that North Vietnam will seek additional dredging equipment to increase the channel depth.

27. Complete restoration of North Vietnam's damaged industrial facilities will cost an estimated \$50 million and will be dependent on substantial foreign aid. Under optimum conditions and with foreign assistance, it should be possible for North Vietnam to restore completely its damaged industrial facilities within two years. However, it is likely that scars of the US bombing will remain for some years to come. Highest priority will probably be afforded the electric power industry on which much of the development of other industrial output depends. Some repair of damaged electric power facilities may be deferred, however, in favor of completing construction of the Thac Ba hydroelectric powerplant, on which work was stopped during the bombing. Under an accelerated program, construction of Thac Ba could be completed in 18 months, thereby adding to North Vietnam's generating capacity more than had been destroyed by the bombing. Rehabilitation of the coal industry will also be afforded a high priority to ensure a fuel base for industry and to regain former foreign exchange earnings. Reorganization of the coal industry is currently in progress. A high priority will also be assigned to the restoration of the Haiphong cement plant, in order to assure North Vietnam a source of construction material for its reconstruction program, and to the Nam Dinh textile plant, which produced valuable export items and necessary consumer goods. However, both these plants were extensively damaged, and complete restoration may take up to two years.

28. In addition to the bomb-damage repair work, considerable work remains to be done to complete industrial projects started before the initiation of the bombing, including the Thai Nguyen iron and steel complex, the Bac Giang fertilizer plant, and Thac Ba hydroelectric powerplant. A number of small, specialized plants, however, will probably be constructed in the near future as part of the regime's regional self-sufficiency program.

Prospects for Economic Assistance

29. North Vietnam should not lack the material resources to fulfill its postwar reconstruction goals.

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The Communist world has been generous during the last four years and undoubtedly will continue to help North Vietnam repair bomb damaged infrastructure and industrial facilities and subsequently to expand the industrial base. Even Communist China, although not enamoured with negotiations for peace, has continued to send aid since the start of negotiations in Paris, and can be expected to continue to satisfy aid commitments. Besides Communist aid, there are increasing indications that North Vietnam may receive some Free World assistance when negotiations for peace appear to be successful.

30. Since the start of the US bombing in 1965, North Vietnam has received increasing quantities of Communist economic aid. During the years before 1965, Communist economic aid to North Vietnam averaged less than \$100 million a year. This aid increased to \$150 million in 1965 and reached an estimated \$460 million in 1968. It is likely that economic aid in 1969 will exceed the high 1968 level. Military aid delivered to North Vietnam increased from \$270 million in 1965 to \$660 million in 1968. The great bulk of the value of the military aid has been in the form of equipment used in defense against the bombing program. With the cessation of the bombing, imports of these items can be curtailed to a large degree, and it is expected that while economic aid will increase in 1969 military aid will decline.

31. After the bombing restrictions of 31 March 1968, North Vietnam's aid negotiator, Le Thanh Nghi, visited most of the Communist countries to negotiate new aid agreements. He was successful in obtaining supplementary aid for 1968 in all countries visited, and most countries also signed agreements for aid deliveries in 1969. In late November, after the complete bombing halt, Le Thanh Nghi negotiated an agreement with the Soviet Union -- North Vietnam's main source of economic aid -- for trade and aid in 1969. From the announcements made at this time it would appear that the Soviet Union has agreed to increase economic aid to North Vietnam to cover reconstruction needs.

32. Even during the bombing campaign, Communist trade and aid agreements included many small development projects including tea, paper, candy, and cigarette factories. However, the emphasis appears to

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have been on war-related and consumer goods such as trucks, petroleum, military equipment, diesel generators, barges, medical supplies, communications equipment, foodstuffs, and textiles. Since March, aid discussions have been reported on such projects as a geological survey, a steel rolling mill, oil drilling, a zinc plating plant, a shipyard, and factories for producing diesel engines as well as a broad range of consumer goods. North Vietnam's imports since 31 March have included more equipment of a developmental nature, although consumer necessities, particularly food, were still imported in unprecedented quantities.

33. Although Communist countries will remain North Vietnam's primary source of economic aid in 1969, North Vietnam is eager to expand its economic relations with Free World countries. Japan, North Vietnam's leading Free World trading partner, has expressed strong interest in buying mineral products from North Vietnam including apatite, chromite, pig iron, and increased amounts of coal. Except for pig iron, North Vietnam has indicated an intention to satisfy the Japanese requests, and has shown considerable interest in acquiring Japanese technological assistance for industrial development. Other Free World trading partners receiving increased attention from North Vietnam include France, Belgium, and Sweden.

34. The Hanoi regime has not clearly indicated the official attitude towards Free World aid for postwar development. Much will depend on the availability from Communist countries of the types of assistance North Vietnam wants. [REDACTED]

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[REDACTED] grumblings by some Eastern European countries about aid to North Vietnam and dissatisfaction by Hanoi with some of the Communist aid. For political and economic reasons, North Vietnam probably would welcome an opportunity to diminish its dependence on Communist countries. However, according to Foreign Minister Nguyen Duy Trinh [REDACTED]

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[REDACTED] acceptance of development aid from Free World countries would be contingent on the absence of political strings.

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35. Aid supplied to North Vietnam by the Free World has so far been primarily of a humanitarian nature -- medical supplies, foodstuffs, clothing,

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and books -- and has been insignificant in value terms compared with Communist aid. However, two plans involving considerable aid for reconstruction are presently being discussed by Free World countries. The first is the Japanese plan -- popularly called the Miki Plan -- which would provide the countries of Indochina with \$200 million to \$1 billion in postwar reconstruction aid over a five- to ten-year period. The plan would be financed by donations from many countries including the United States and the Soviet Union. The second plan, referred to as the Nordic Plan, is the creation of the five Scandinavian countries under the guidance of Swedish government officials. The Nordic Plan would provide aid for reconstruction and development of the economies of both Vietnams over a five- to ten-year period. Both of these Free World plans are still in the discussion stages, and no funds have been committed.

36. While material assistance for North Vietnam's repair and development program is likely to be available in abundant quantities, the rate at which the economy will be able to absorb the inputs will probably be determined by the amount of technical expertise available. North Vietnam has always had to rely on foreign technicians, particularly from Communist countries, to assist in the construction and initial operation of industrial facilities. Undoubtedly the Communist countries will continue to send technical personnel to North Vietnam, but the numbers probably will be restricted by the Communist countries' own needs for technical expertise.

37. The regime has for several years been sending North Vietnamese students and trainees to Communist countries for academic and vocational training. Deputy Premier Nguyen Duy Trinh has described the 20,000 overseas students as the main force in North Vietnam's postwar reconstruction and development plans. About 6,000 are in the Soviet Union, 5,000 in Communist China, and 9,000 in East European countries. Two-thirds of the Vietnamese students currently in the Soviet Union are "industrial trainees" at vocational schools or are undergoing on-the-job training in industrial installations. In Poland, Hungary, and Rumania, something over 75 percent of the total number of Vietnamese are receiving technical training. The limited information available on Vietnamese students in Communist China also indicates that they are receiving primarily industrial training.

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